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PAGE 01 ATHENS 08477 041643Z

64

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SUBJECT: GREECE'S FIVE-YEAR ECONOMIC PLAN

REF: A. ATHENS 6654; B. ATHENS 8040(NOTAL)

SUMMARY: MINISTER OF COORDINATION PAPALIGOURAS HAS ISSUED A STATEMENT ON THE AIMS OF THE FIVE-YEAR PROGRAM FOR 1976-80. ITS BASIC OBJECTIVE IS AN IMPORVED STANDARD OF LIVING THROUGH ECONOMIC GROWTH AND RESTRUCTURING. SPECIFIC GOALS INCLUDE AN AVERAGE REAL GNP GROWTH RATE OF ABOUT SIX PERCENT DURING THE PERIOD, WITH A STRONG UPWARD TREND IN INDUSTRIAL PRODUCTION. PAPALIGOURAS STRESSED THE VALUE OF PRIVATE INITIATIVE AND FOREIGN TECHNOLOGY TO THE DEVELOPMENT PROCESS, AND CONFIRMED THE GOG'S INTEREST IN PROMOTING MUTUALLY BENEFICIAL FOREIGN INVESTMENT. THE BALANCE OF PAYMENTS PRESENTS SERIOUS DIFFICULTIES FOR THE NEXT FEW YEARS, BUT PROGRAMS ARE UNDERWAY, INCLUDING THE RAPID DEVELOPMENT OF LOCAL ENERGY RESOURCES AND EXPORT POTENTIAL, TO ALLEVIATE

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PAGE 02 ATHENS 08477 041643Z

THE PROBLEM BY 1980. END SUMMARY.

1. MINISTER OF COORDINATION AND PLANNING PAPALIGOURAS ISSUED A STATEMENT LAST WEEK ON THE FIVE-YEAR PLAN FOR 1976-80, WHICH IS CURRENTLY UNDER PREPARATION. PAPALIGOURAS REITERATED THE POINTS MADE BY PM CARAMANLIS IN HIS AUGUST 30 SPEECH (REFTELA) ON THE GENERAL SCOPE OF THE PLAN AND THE METHODOLOGY TO BE USED IN ITS PREPARATION, AND ADDED SOME ECONOMIC FORECASTS FOR THE PERIOD.

2. METHODOLOGY AND OBJECTIVES - THE PLAN IS TO BE A PRAGMATIC AND "FLEXIBLE INSTRUMENT," RATHER THAN A RIGID ACADEMIC STUDY. REPRESENTATIVES OF LABOR AND BUSINESS ARE TO PARTICIPATE IN THE FORMULATION AND IMPLEMENTATION OF THE PLAN, WHOSE BASIC AIM IS THE ECONOMIC AND SOCIAL ADVANCEMENT OF THE GREEK PEOPLE THROUGH GNP GROWTH AND A RESTRUCTURING OF THE ECONOMY.

3. GNP GROWTH - PAPALIGOURAS STATED THAT GREECE'S AVERAGE REAL GNP GROWTH SHOULD EXCEED WESTERN EUROPE'S RATE BY TWO TO THREE PERCENT DURING 1976-80, WITH THE RESULT THAT THE DIFFERENCE IN PER CAPITA INCOME BETWEEN GREECE AND EC MEMBER NATIONS WILL BE REDUCED. (PAPALIGOURAS SUBSEQUENTLY CONFIDED PRIVATELY TO AMBASSADOR AND ECONOMIC COUNSELOR THAT THE TARGET AVERAGE RATE OVER THE FIVE YEARS WOULD BE ABOUT SIX PERCENT, AND THAT THIS FIGURE WAS NOT USED IN HIS PUBLIC ANNOUNCEMENT BECAUSE THE OPPOSITION MIGHT ATTACH IT AS TOO LOW. PAPALIGOURAS FELT THAT SIX PERCENT WAS THE MINIMUM GROWTH RATE REQUIRED TO ASSURE POLITICAL/SOCIAL STABILITY IN GREECE. 1976 ESTIMATES ARE FOR A FOUR PERCENT RISE.) A SPECIAL EMPHASIS WILL BE GIVEN TO INCREASING REAL INCOME OF LOWER INCOME GROUPS AND REDUCING REGIONAL DISPARITIES. ANNUAL INDUSTRIAL PRODUCTION WILL INCREASE BY 9-10 PERCENT.

4. INVESTMENT - THE MINIMUM ANNUAL INCREASE IN GROSS FIXED ASSET FORMATION NECESSARY TO SUPPORT THESE GOALS IS ESTIMATED AT 10 PERCENT, WITH A SOMEWHAT HIGHER RATE FOR INDUSTRIAL INVESTMENT. MUTUALLY BENEFICIAL FOREIGN INVESTMENT WILL BE ENCOURAGED. THE BASIC CRITERION FOR FOREIGN INVESTMENTS UNDER BASIC LAW 2687 WILL BE THEIR CONTRIBUTION TO INCREASED PRODUCTIVITY AND THE EXPORT CAPACITY OF THE GREEK ECONOMY. LIMITED OFFICIAL USE

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PAGE 03 ATHENS 08477 041643Z

INVESTMENTS IN LOW VALUE ADDED ENTERPRISES OR AIMING AT THE EXPLOITATION OF THE DOMESTIC MARKET WILL BE DISCOURAGED. THE RESTRUCTURING OF THE ECONOMY ESSENTIAL FOR INTEGRATION INTO THE EC MAKES IMPERATIVE THE CHANNELING OF RESOURCES INTO SPECIFIC SECTORS WHICH COULD BE COMPETITIVE BY EC STANDARDS. PRIVATE INITIATIVE IS CONSIDERED THE DRIVING FORCE OF THE ECONOMY, AND THE GOG WILL SUPPORT IT BY ELIMINATING COUNTER-INCENTIVES AND BUREAUCRATIC ROAD BLOCKS. MONOPOLIES

OR OLIGOPOLIES, HOWEVER, WILL NOT BE PERMITTED. PAPALIGOURAS REFERRED TO THE ESTABLISHMENT OF THE NEW BANKING CONSORTIUM (SEE REF B.) WHICH IS DESIGNED TO STIMULATE AND CHANNEL INVESTMENT, AND COMPLEMENT THE PRIVATE SECTOR.

5. PRICES - THE GOG WILL ATTEMPT TO LIMIT PRICE INCREASES TO LEVELS PREVAILING IN THE EC.

6. EMPLOYMENT - THE ACHIEVEMENT OF THE DEVELOPMENT GOALS OF THE FIVE-YEAR PLAN WILL CREATE 200,000 NEW JOBS, WHICH WILL SERVE TO ABSORB CURRENTLY UNEMPLOYED WORKERS AND NEW ENTRIES INTO THE LABOR MARKET, AND REDUCE RURAL UNDEREMPLOYMENT. IMPROVEMENTS IN TECHNICAL AND PROFESSIONAL EDUCATION WILL ASSIST IN THE INDUSTRIALIZATION PROCESS.

7. BALANCE OF PAYMENTS - PAPALIGOURAS COMMENTED ON THE SERIOUS IMPLICATIONS OF THE CURRENT BALANCE OF PAYMENTS SITUATION AND OUTLINED THE MEASURES WHICH THE GOG IS TAKING TO REMEDY THIS PROBLEM: A MORE RAPID AND SYSTEMATIC EXPLOITATION OF LOCAL ENERGY RESOURCES AND MINERAL WEALTH; ENHANCED VALUE ADDED BY GREEK INDUSTRY; AND A GREATER EMPHASIS ON EXPORTS. A BASIC GOAL IS TO REDUCE BY 1980 THE CURRENT ACCOUNT DEFICIT, AS A PERCENTAGE OF GNP, TO HALF THE 1975 FIGURE (5.2 PERCENT BY EMBASSY ESTIMATE).

8. COMMENT - THE FORECASTS CONTAINED IN PAPALIGOURAS' STATEMENT ARE BASED ON PRELIMINARY RESULTS OF ECONOMETRIC RESEARCH DONE BY THE CENTER OF PLANNING AND ECONOMIC RESEARCH (KEPE). THE VISITING EXPERTS TEAM DISCUSSED THE PAPALIGOURAS STATEMENT WITH KEPE DIRECTOR GENERAL VOLOUDAKIS, WHO IS DIRECTING THE FORMULATION OF THE PLAN AT THE WORKING LEVEL, AND MINISTRY OF COORDINATION DIRECTOR GENERAL FOR PLANNING LEMONIAS ON NOVEMBER 3. VOLOUDAKIS INDICATED THAT THE PLAN WOULD NOT BE LIMITED OFFICIAL USE

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PAGE 04 ATHENS 08477 041643Z

COMPLETED UNTIL MID-1976, ALTHOUGH PORTIONS OF IT MAY BE RELEASED EARLIER. THEY OUTLINED IN SOMEWHAT GREATER DETAIL GNP GOALS FOR THE PERIOD, WHICH INCLUDE: (A) A RATE OF GROWTH FOR THE SECONDARY SECTOR, LED BY INDUSTRY AND MINING, LARGER THAN THE OVERALL AVERAGE SIX PERCENT, BUT WITH CONTINUED CONTROLS ON CONSTRUCTION; (B) GROWTH IN SERVICES, WHICH PRESENTLY ACCOUNT FOR ABOUT HALF OF GNP, AT ABOUT THE AVERAGE OVERALL RATE, WITH AS GREAT AN EMPHASIS ON SOCIAL SERVICES AS RESOURCES WILL PERMIT; AND (C) AN AVERAGE GROWTH RATE OF THREE PERCENT IN AGRICULTURE, WITH THE PRIMARY FOCUS ON STRUCTURAL CHANGE WHICH WILL YIELD LONGER RATHER THAN SHORTER TERM BENEFITS. PROJECTIONS ON BALANCE OF PAYMENTS AND EXTERNAL DEBT ARE NOT YET AVAILABLE. A MAJOR EFFORT IS BEING MADE TO TAKE INTO ACCOUNT THE RAMIFICATIONS OF FULL EC MEMBERSHIP, TO IDENTIFY RESULTING PROBLEM AREAS, AND TO PROPOSE MEASURES TO EASE

THE ADJUSTMENT PROCESS. TWO FRENCH ECONOMISTS ARE ASSISTING
KEPE IN ITS WORK, AND THE FINAL PRODUCT WILL FOLLOW RECENT
FRENCH AND GERMAN MODELS.
KUBISCH

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